

INFORMATION SHEET

PERSONAL INCOME TAX WAGES REPORTED ON THE QUARTERLY REPORT OF WAGES AND WITHHOLDINGS FOR EMPLOYERS OF HOUSEHOLD WORKERS (DE 3B HW)

The purpose of this information sheet is to explain the requirement to report California personal income tax (PIT) wages in Item "F" on the Quarterly Report of Wages and Withholdings for Employers of Household Workers (DE 3B HW).

It may be helpful to keep in mind the purpose for the wage items required on DE 3B HW. The "Total Subject Wages" in Item "E" on the DE 3B HW are wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and/or State Disability Insurance (SDI). The "Total Subject Wages" are used to determine UI and SDI benefits. The "PIT Wages" in Item "F" on the DE 3B HW are used by the Franchise Tax Board (FTB) to determine the individual's income, and should agree with amounts in Box 17 ("State Wages, Tips, etc.") on the Federal Form W-2. The "PIT Withheld" in Item "I" on the DE 3B HW represents the amount of PIT withheld from the individual's wages. The FTB will utilize the "PIT Wages" and "PIT Withheld" information to verify an individual's wages and withholding, since the employer is

no longer required to furnish a copy of the employee's Federal Form W-2 to the Employment Development Department.

What are "PIT Wages"?

The "PIT Wages" in Item "F" on the DE 3B HW are the wages subject to California personal income tax which must be reported as income on an individual's California income tax return. **Most payments for employee services are reportable on the DE 3B HW as PIT wages. An individual's "PIT Wages" reported on the quarterly DE 3B HW should equal the W-2 amount shown in Box 17 ("State Wages, Tips, etc.").**

Wages for domestic services are subject to UI, DI, ETT, and reportable as PIT wages, but are excluded from PIT withholding. Please refer to the table below which lists the most common types of employment and wage payments for employers of household workers.

| TYPES OF EMPLOYMENT AND WAGE PAYMENTS | "TOTAL SUBJECT WAGES" Reportable in Item "E" on the DE 3B HW | "PIT WAGES" Reportable in Item "F" on the DE 3B HW |
|---|--|---|
| Family Employees Minor son or daughter under 18 employed by parent (or by partnership consisting of parents); wife employed by husband or husband employed by wife; and parent employed by son or daughter. | NO | YES |
| Household Employment In private homes, local college clubs, fraternities, and sororities. Refer to Information Sheet: Household Employment (DE 231L), and/or Household Employers Guide (DE 8829). | YES (Reportable if \$750 or more is paid in cash for DI purposes, and if \$1,000 or more is paid in cash for UI purposes in any calendar quarter.) | YES, but not reportable for PIT withholding. |
| Lodging and Meals | YES | YES (Unless furnished for the employer's convenience and on employer's premises.) |

For information on reporting other types of employment and wage payments, please refer to the Information Sheet (DE 231PIT) on Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6). The Information Sheet (DE 231PIT) also includes a table which lists examples of the most common reporting differences between "Total Subject Wages" and "PIT Wages."

What are Wages?

"Wages" are payments made to an employee for personal services and may be paid by cash, check, or the reasonable cash value of remuneration paid to an employee in any medium other than cash (e.g., lodging and meals). Wages in any form other than cash are measured by the fair market value of the goods given as compensation for the employee's services.

The definition of wages includes hourly wages, salaries, commissions, bonuses, fees, piece rates, incentive payments, and certain fringe benefits. Cash tips are also considered wages under certain conditions even if tips are paid by the customer and not the employer. For reporting purposes, wages are taxable when paid, made available to the employee, or at the time the employee receives remuneration other than cash.

Further Assistance

For a more extensive definition of PIT wages, the following are recommended:

1. Refer to the FTB's Personal Income Tax Booklet for California Resident Forms and Instructions, "Instructions for Schedule CA (540),

Line 7 - Wages, Salaries, Tips, etc." - These instructions state that, in general, wages for federal and California income taxes are the same except for several items (which are described in detail).

2. If more information is required regarding the definition of wages by the federal income tax law (Internal Revenue Code), please review the following publications:

- Internal Revenue Service (IRS) 1040 Booklet and Instructions for Line 7 - Wages, Salaries, Tips, etc.,
- The IRS Publication 17, Tax Guide for Individuals, Chapter 6 "Wages, Salaries, and Other Earnings," and Chapter 7 "Tip Income," or
- Internal Revenue Code sections that are listed in the index under "Compensation."

If you are still unclear on what should be considered reportable as California PIT wages, please contact the FTB at their toll free number 1-800-852-5711 (bilingual assistance available). You may also order FTB forms by telephoning 1-800-338-0505. Select and follow the recorded instructions for Personal Income Tax Forms. If you have access to the Internet, you may download, view, and print California income tax forms by addressing FTB at **www.ftb.ca.gov**.

The federal (IRS) toll free number for assistance and ordering forms is 1-800-829-1040.

Equal Opportunity Employer/Program. Auxiliary services and assistance available to persons with disabilities.